

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

LR No.: 1406-03  
Bill No.: Perfected HCS for HB 380  
Subject: Uniform Securities Act  
Type: Original  
Date: April 1, 2003

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2004</b> | <b>FY 2005</b> | <b>FY 2006</b> |
| General Revenue   | \$0            | \$0            | \$0            |
|   |                |                |                |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>               |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>   | <b>FY 2004</b> | <b>FY 2005</b> | <b>FY 2006</b> |
| Investor Education<br>and Protection Fund                      | \$0            | \$0            | \$0            |
|  |                |                |                |
| <b>Total Estimated<br/>Net Effect on Other<br/>State Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS                                 |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2004    | FY 2005    | FY 2006    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| ESTIMATED NET EFFECT ON LOCAL FUNDS |            |            |            |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED                       | FY 2004    | FY 2005    | FY 2006    |
| <b>Local Government</b>             | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials of the **Office of Secretary of State- Administrative Rules Division** stated that this proposal would require the Securities Division to promulgate new rules. The rules would be published in the Missouri Register and the Code of State Regulations. Officials stated that the estimated publication cost of a page in the Code of State Regulations is \$27, and the cost of publication in the Missouri Register is estimated to be \$23. Officials stated that the cost of this proposal in future years is unknown and would depend upon the frequency and length of rules filed, amended, rescinded, or withdrawn. Officials estimate the first FY 2004 cost at (\$5,535) and is unknown for FY 2005, and FY 2006.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Office of Attorney General** assume no fiscal impact.

Officials of the **Department of Labor and Industrial Relations** assume no fiscal impact.

ASSUMPTION (continued)

Officials of the **Office of State Court Administrator** assume this proposal would have no fiscal impact on the Courts.

Officials of the **Department of Insurance** assume no fiscal impact.

Officials of the **Department of Corrections** stated that there would be no fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2004<br>(10 Mo.) | FY 2005 | FY 2006 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|

**INVESTOR EDUCATION AND  
PROTECTION FUND**

|   |         |         |         |
|---|---------|---------|---------|
| <u>Income</u> to Secretary of State<br>from grants, donations | Unknown | Unknown | Unknown |
|---|---------|---------|---------|

|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| <u>Cost</u> to Secretary of State<br>from developing and implementing<br>investor education initiatives | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|---|------------------|------------------|------------------|

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| <b>Total Estimated Net Effect to Secretary<br/>of State's Investor Education and<br/>Protection Fund *</b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |
|--|-------------------|-------------------|-------------------|

**\* Oversight assumes cost would equal income.**

| <u>FISCAL IMPACT - Local Government</u> | FY 2004<br>(10 Mo.) | FY 2005           | FY 2006           |
|---|---------------------|-------------------|-------------------|
|   | <b><u>\$0</u></b>   | <b><u>\$0</u></b> | <b><u>\$0</u></b> |

FISCAL IMPACT - Small Business

Fiscal impact to small businesses is unknown.

## DESCRIPTION

This act adopts the Uniform Securities Act. The act contains the following Articles:

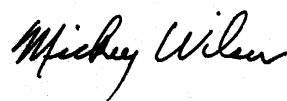
This substitute substantially revises and modernizes the securities regulation laws, incorporating many provisions of the Uniform Securities Act. In its main provisions, the substitute:

- (1) Authorizes the Secretary of State to seek court orders requiring violators to disgorge illicit profits, pay restitution, and pay into the Investor Education and Protection Fund, which the substitute establishes;
- (2) Increases criminal fines to \$1 million;
- (3) Requires banks with on-premise brokerage firms to comply with federal rules;
- (4) Modernizes, simplifies, and broadens exemptions from securities registration with the state;
- (5) Promotes consistency with other states and the Securities and Exchange Commission in the definition of "security";
- (6) Authorizes civil prosecution of individuals who materially aid in violations; and
- (7) Adds civil penalties of \$10,000 for one violation and up to \$1 million for more than one violation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Office of Attorney General  
Office of Secretary of State- Securities  
Department of Labor and Industrial Relations  
Office of State Courts Administrator  
Department of Insurance  
Department of Corrections



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Director  
April 1, 2003